

## AGRICULTURAL SUPPORT SERVICES

(JA-0111)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Government of Jamaica (GOJ)	
<b>Executing agency:</b>	Ministry of Agriculture	
<b>Amount and source:</b>	IDB: (OC)	US\$22.0 million
	Local:	<u>US\$ 9.5 million</u>
	Total:	US\$31.5 million
<b>Financial terms and conditions:</b>	Amortization Period:	25 years
	Grace Period:	4 years
	Disbursement Period:	4 years
	Interest Rate:	variable
	Supervision and Inspection:	1.0%
	Credit Fee:	0.75%
	Currency:	Single Currency Facility of Ordinary Capital (OC)
<b>Objectives:</b>	<p>The purpose of the program is to enhance the competitiveness of Jamaican agriculture in domestic and global markets, making a substantial contribution to the goal of increasing the incomes of agricultural producers. The program will lead to increased enterprise profitability on a sustainable basis; increased labor and capital entering the sector; and increased value of exports for agricultural commodities.</p>	
<b>Description:</b>	<p>Specific project activities are structured in three components:</p>	
	<p>1. <u>Strengthening the delivery of agricultural support services (US\$6.4 million):</u></p> <p>Component 1 develops a critical capacity for delivery of effective agricultural support services, including agricultural extension, research, marketing and strategic information, to producers and exporters. These services should increase, productivity by 30% over the four year program period. The current system will improve by introducing five Agribusiness Development Units (ADUs) to link agricultural services providers with producers, establish a fund to partially finance services supplied by selected providers, organize and train farmers, and improve facilities and train technical personnel. At the end of the third year of the program the Project Implementation Unit will start negotiating</p>	

with the service providers the transfer of the ADUs to the private sector, where feasible.

2. Strengthening and consolidating agricultural and food safety services (US\$10.2 million)

Component 2 will improve the effectiveness of the animal health, plant health, and food safety systems to protect domestic consumers from illness, and domestic production from disease and contamination, and ensure that Jamaica's exports meet international standards. Concomitantly the GOJ must develop adequate policies, update legislation and install the required coordination mechanisms. In addition, Component 2 will allocate resources to hire, and train additional personnel, acquire field and laboratory equipment, upgrade the infrastructure of laboratories and control posts, implement surveillance programs and update methodologies and information systems.

3. Financing Selected activities in high payoff productive projects (US\$6.0 million)

Component 3 increases competitiveness and profitability of Jamaican agricultural producers and exporters. Specific productive projects in different rural areas that address new development opportunities in non-traditional agricultural sectors will be developed. This component will complement the strengthening of agricultural support services delivery by allocating resources to the "Agricultural Support Services and Productive Projects Fund", that will have two lines of financing: (i) resources to contract extension, sanitary services, land regularization services, credit access advice, marketing, adaptive research services, from private providers; and (ii) grants to finance eligible activities in a productive project up to an amount of US\$300,000. The beneficiaries, eligible activities, grant size, cost sharing, the processing of projects and the monitoring and evaluation systems are included in the Operating Regulations.

**Bank's country  
and sector  
strategy:**

The Country Paper for Jamaica (GN-2025), approved by the Board in 1998, defines two overriding objectives. The first is to support establishment of a satisfactory macroeconomic environment; the second is to support a process of structural reforms, promoting an improved environment for long-term, private sector-led growth and development. The Bank seeks to attain these objectives by concentrating its activities in five priority areas: promotion of macroeconomic stability, private sector development, public sector modernization, social development, and environmental management. In the agricultural sector the Bank supports programs that will contribute to solving the main constraints that the country faces in its pursuit of increased competitiveness and

reduced poverty in rural areas, namely lack of irrigation, secure land tenure and effective agricultural support services. The objectives of the proposed project are fully consistent with the priorities set out in the Bank's Country paper. The program will contribute directly to public sector modernization, development of the private sector in agriculture, social development, and improved environmental management in rural areas.

**Environmental/  
social review:**

By focusing on improved use of agricultural inputs, better farming practices and increased surveillance of agricultural and food safety, the proposed program will generate significant positive environmental and social impacts. Improvements to research, extension and marketing will encourage better agricultural practices such as soil conservation, safe handling and use of agro-chemicals, (pesticides) and increased water use efficiency. Strengthening agricultural health and food safety services will promote the use of biological controls such as integrated pest management, reduce the occurrence of pest infestation and animal diseases, and amount of pesticide use. In the case of productive projects, rigorous screening process using eligibility criteria will guide the selection process and eliminates projects with potentially negative impacts. An Environmental Officer at the Project Implementation Unit (PIU), in addition to other activities, will ensure that the environmental review process as well as monitoring and evaluation of the productive projects are carried out effectively. Project screening will ensure equality in selecting recipients for funding. Finally, special attention is given to gender issues in the design of outreach services and training programs.

**Benefits:**

Strengthening delivery of agricultural support services will have significant impact in Jamaica's agricultural sector. The potential increases in production, productivity and exports could be substantial and might even start during Project execution. Incomes of small and medium farmers that are mostly poor will increase. Benefits in agricultural health and food safety will come mainly from reduced losses that are avoided preventing new pests and diseases entering the country. The benefits of the productive project component come mainly from identifying competitive productive opportunities and increases in income that the process will generate for small and medium farmers.

**Risks:**

(i) Sustainability of project activities is always a concern, hence the project design devoted significant attention to it. Organization of farmers, development of private-public partnerships, design and implementation of a cost recovery system; and the allocation of recurrent costs to the appropriate budget item are activities that address this issue; (ii) The land tenure situation and limited access to credit restricts agricultural development. The program includes

land tenure regularization and advises in credit access in the eligible activities in the productive project component; (iii) Coordination of the different agencies that work in food safety will be a major challenge. The program will help design and implement coordination mechanisms, work plans and regulations that are needed; (iv) The program will request that additional staff be hired to strengthen service delivery. Given the fiscal restrictions faced by the GOJ the new personnel will have to be phased in gradually. (v) Changes in macroeconomic conditions also present some risks to the accomplishment of the program's objectives.

**Special  
contractual  
clauses:**

The first disbursement of the financing shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements:

- a) The establishment by the Executing Agency of the Project Steering Committee (PSC) with representatives of agencies and organizations previously agreed with the Bank; (paragraph 3.2)
- b) The establishment by the Executing Agency of the Project Implementation Unit (PIU) and the appointment of its Director, the financial/administrative officer, and the technical officers for each of the components, pursuant to the terms of reference previously agreed with the Bank; (paragraph 3.9)
- c) The establishment of the "Fund for Agricultural Support Services and Productive Projects" and the approval of its operational regulations, pursuant to the terms of reference previously agreed with the Bank; (paragraph 3.14)
- d) The opening by the Executing Agency of the account (s) required to deposit the disbursements of the financing. (paragraph 3.21)

During the execution of the project the Borrower should fulfill the following conditions:

- a) Prior to the initiation of the execution of Component 1 of the Project, to submit to the Bank evidence of the signing of the Memoranda of Understanding (MOU) between the Executing Agency and selected public sector and non-public sector agricultural support services providers, the purpose of which is the proper coordination and provision of agricultural support services to producers and exporters; (paragraph 3.12)
- b) Prior to the initiation of the execution of Component 2 of the Project, to submit to the Bank evidence of the establishment and proper operation of the Food Safety Coordination Committee; (paragraph 3.13)

- c) Within (6) months after the first disbursement of the Financing, to submit evidence of the agreement regarding objectives, activities, and roles and responsibilities of the different agencies involved in food safety, to be included in the Memoranda of Understanding (MOU) to be signed between those agencies; (paragraph 3.13)
- d) Within twelve (12) months after the first disbursement of the Financing, to submit evidence of the submission to Cabinet of a cost recovery system, which includes a mechanism for revenue retention by the agricultural service providers; (paragraph 5.8)
- e) Within twenty four (24) months after the first disbursement of the Financing, to submit evidence of the implementation of the cost recovery system referred to in (d) above; (paragraph 5.8)
- f) Within the fourth quarter of each year, to prepare and submit for Bank's approval the Work Plan for the following year. (paragraph 3.12)

**Poverty-targeting and social sector classification:**

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (Document AB-1704).

**Exceptions to Bank policy:**

There will not be exceptions to Bank's policy in this project.

**Procurement:**

Bank procedures will be followed in the procurement of works, goods and consulting services. Internationally competitive bidding will be followed for purchases of more than US\$250,000 for procurement of goods and related services and US\$1.5 million for construction works. Bids below these ceilings will take place in accordance with local legislation. Consultant's services will be hired in accordance with Bank procedures.